1892.

THIRTY-EIGHTH ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF THE

Lehigh Valley Railroad Company

TO THE

STOCKHOLDERS.

JANUARY 17th, 1893.

PHILADELPHIA:
ALLEN, LANE & SCOTT'S PRINTING HOUSE,
Nos. 229, 231, and 233 South Fifth Street.
1893.

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OFFICERS

OF THE

Lehigh Valley Railroad Company.

JANUARY 17th, 1893.

PRESIDENT,
ELISHA P. WILBUR.

VICE-PRESIDENT,
CHARLES HARTSHORNE.

SECOND VICE-PRESIDENT,
ROBERT H. SAYRE.

THIRD VICE-PRESIDENT,
JOHN B. GARRETT.

TREASURER,
WM. C. ALDERSON.

SECRETARY,
JOHN R. FANSHAWE.

ASSISTANT SECRETARY,
DAVID G. BAIRD.

COMPTROLLER,
ISAAC McQUILKIN.

DIRECTORS:

CHARLES HARTSHORNE,
WILLIAM L. CONYNGHAM,
WILLIAM A. INGHAM,
ROBERT H. SAYRE,
JAMES I. BLAKSLEE,
JOHN R. FELL,
ROBERT A. LAMBERTON,
JOHN B. GARRETT,
CHARLES O. SKEER,
GEORGE C. THOMAS,
ROLLIN H. WILBUR,
WILLIAM H. SAYRE.

OFFICERS

OF THE

Lehigh Valley Coal Company.

PRESIDENT,
ELISHA P. WILBUR.

VICE-PRESIDENT,
CHARLES HARTSHORNE.

GENERAL LAND AGENT,
ISRAEL W. MORRIS.

TREASURER,
JOHN B. GARRETT.

SECRETARY,
JOHN R. FANSHAWE.

GENERAL SUPERINTENDENT,
W. A. LATHROP.

GENERAL COAL AGENT,
WILLIAM H. SAYRE.

ANNUAL REPORT

OF THE

Lehigh Valley Railroad Company

FOR THE FISCAL YEAR ENDING NOVEMBER 30th, 1892.

JANUARY 17th, 1893.

The total tonnage for the fiscal year ended November 30th, 1892, as compared with the previous year, was as follows :—

TOTAL TONNAGE OVER ROAD IN TONS OF 2000 POUNDS.

	1892.	1891.	INCREASE.
Anthracite coal	10,559,228	10,332,954	226,274
Bituminous coal and coke . . .	313,671	265,847	47,824
Miscellaneous freights	5,653,586	5,230,913	422,673
Total	16,526,485	15,829,714	696,771

TONS CARRIED ONE MILE.

	1892.	1891.	INCREASE.
Anthracite coal	1,106,066,034	1,025,069,657	80,996,377
Bituminous coal and coke	21,039,013	18,436,697	2,602,316
Miscellaneous freights . .	1,081,890,634	846,678,263	235,212,371
Total	2,208,995,681	1,890,184,617	318,811,064

Average Freight Rates.

	1892.	1891.
Average rate per ton on coal	$85\frac{97}{100}$ cents.	$81\frac{89}{100}$ cents.
Average rate per ton per mile on coal .	$\frac{829}{1000}$ cent.	$\frac{832}{1000}$ cent.
Average rate per ton on miscellaneous freight	$114\frac{37}{100}$ cents.	$113\frac{65}{100}$ cents.
Average rate per ton per mile on miscellaneous freight	$\frac{598}{1000}$ cent.	$\frac{702}{1000}$ cent.
Average rate per ton on total tonnage .	$95\frac{08}{100}$ cents.	$92\frac{89}{100}$ cents.
Average rate per ton per mile on total tonnage	$\frac{716}{1000}$ cent.	$\frac{774}{1000}$ cent.

Passenger Traffic.

	1892.	1891.	Increase.
Number of passengers carried .	6,018,449	5,734,288	284,161
Number of passengers carried one mile	105,072,504	98,848,684	6,223,820

Passenger Averages.

	1892.	1891.
Average mileage per passenger	$17\frac{46}{100}$ miles.	$17\frac{24}{100}$ miles.
" receipts per passenger	$36\frac{95}{100}$ cents.	$37\frac{48}{100}$ cents.
" rate per mile	$2\frac{116}{1000}$ cents.	$2\frac{174}{1000}$ cents.

Under date of February 11th, 1892, the railroads, public works, transportation lines, and appurtenances of this company were leased and transferred to the Philadelphia and

Reading Railroad Company for the full period of nine hundred and ninety-nine years from the first day of December, 1891. The lease guarantees rentals equal to five per cent. per annum for the six months ending May 31st, 1892; six per cent. per annum for the six months ending November 30th, 1892; and thereafter seven per cent. per annum, together with fifty per cent. of all surplus net earnings, but not in any one year exceeding in all an amount equal to ten per cent. upon the then outstanding capital stock.

For the further information of the stockholders a copy of the lease will be attached to the printed reports.

An auditing department has been created, through which an annual adjustment of the accounts from December 1st, 1892, will be provided.

No statements of the earnings and expenses for the past year are appended, but it appears from the report submitted to the stockholders of the Philadelphia and Reading Railroad Company for the year ending November 30th, 1892, that the net traffic earnings of the Lehigh Valley system have been increased by about $1,000,000 during the year. This includes less than three months of the income derived from the new line to Buffalo since the diversion of the business from the Erie Railway early in September last. The saving in rentals paid that company considerably exceeds the interest charges upon the $15,000,000 Lehigh Valley Rail Way Company and the $10,000,000 Lehigh Valley Terminal Railway Company bonds.

Our capital account at the close of the fiscal year stood as follows:—

Common stock (including scrip not yet converted)	$40,335,010	
Preferred stock	106,300	
		$40,441,310
First mortgage, six per cent. bonds, due in 1898 (coupon and registered)		5,000,000
Second mortgage, seven per cent. bonds, due in 1910 (registered)		6,000,000

Consolidated mortgage bonds, due (except sterling and annuity bonds) in 1923 :—		
Six per cent. bonds :—		
Sterling	$1,916,000	
Coupons	1,504,000	
Registered	6,980,000	
Annuity	5,516,000	
		$15,916,000
Four and one-half per cent. bonds :—		
Coupons	$1,436,000	
Registered	3,662,000	
Annuity	2,202,000	
	7,300,000	
		23,216,000
		$74,657,310

Two hundred and eighty-five of the sterling bonds were drawn payable December 1st, 1892, leaving $1,631,000 bearing interest from that date.

The guarantees by this Company of the bonds and stocks of affiliated companies are as follows :—

Pennsylvania and New York Canal and Railroad Company :—		
First mortgage, seven per cent. bonds, due 1896	$1,500,000	
First mortgage, seven per cent. bonds, due 1906	1,500,000	
Five per cent. bonds, due 1939	4,000,000	
Four per cent. bonds, due 1939	3,000,000	
		$10,000,000
Easton and Amboy Railroad Company, first mortgage, five per cent. bonds, due 1920		6,000,000
The Lehigh Valley Rail Way Company, first mortgage, four and one-half per cent. gold bonds, due 1940		15,000,000
Lehigh Valley Terminal Railway Company, first mortgage, five per cent. gold bonds, due 1941		10,000,000
Morris Canal and Banking Company :—		
Preferred stock, ten per cent.	$1,175,000	
Consolidated stock, four per cent.	1,025,000	
		2,200,000
		$43,200,000

The Lehigh Valley Rail Way Company's new line between Van Etten and Geneva and thence to Buffalo has been completed during the past year, except the filling of several pieces of trestle-work and the construction of some additional side-

tracks. On account of the very heavy grades on part of our old line between Van Etten and Geneva, and the great volume of our business being done via the Erie Railway, it was not deemed prudent to change its route until we had at least one track of the new line between Van Etten and Geneva in complete order. This was not accomplished and the business transferred to our own line until September, since which time all the traffic has been handled over it, and we have also completed the second track. The cost of providing the second track of the Lehigh Valley Rail Way at once instead of spreading the expenditure over several years, as was contemplated, has resulted in a larger immediate expenditure than would otherwise have been necessary, but its wisdom was made manifest when the line was opened, the miscellaneous freight traffic having increased during the year 422,673 tons. Large additions to our yard room and side-tracks were necessary in Buffalo and have been provided, and an extension of our freight-houses on the Tifft Farm and in Chicago has been ordered.

The New York Central Railroad between Batavia, Niagara Falls, and the Bridges is being used as referred to in our last report. The Rochester and Honeoye Valley Railroad has been completed, and is in use between the city of Rochester and a connection with our main line, and the extension southward to Honeoye Falls is in progress. Passenger and freight stations have been built at Rochester; also a coal trestle with convenient loading chutes.

Work on the Lehigh Valley Terminal Railway has been continued through the year. The bridge across Newark Bay is completed; also the extension through Jersey City to the waters of New York Bay, and to a connection with the National Docks Railway. The latter, in which we own a half interest, has been extended to Constables Hook. The contemplated work of building extensive docks, piers, and other shipping facilities at Constables Hook was rendered unnecessary by reason of the lease of the Lehigh Valley Railroad to the Philadelphia and Reading Railroad Company. The valuable water front and shore property has been retained, and may be improved as the requirements of traffic may demand.

During the year the Loyalsock Railroad, connecting the Harvey's Lake Railroad with the State Line and Sullivan Railroad, has been completed.

The following additions have been made to the Company's equipment during the past year :—

BUILT AT OUR OWN SHOPS.

Locomotives	16
Passenger cars	13
Combination cars	3
Gondola cars	191
Caboose cars	31
Service train caboose car	1
Express car	1
Workmen's cars	7
Shop truck	1
Special service gondola car	1
House cars	48

PURCHASED.

Locomotives	27
House cars	2,000
Passenger cars	20
Combination cars	5
Twin-hopper gondola cars	1,939

Our equipment on November 30th, 1892, was as follows :—

CLASSIFICATION.	NUMBER OF CARS.
Locomotives	655
Chair cars	12
Passenger cars	210
Combination cars	55
Special cars	4
Baggage, mail, and express cars	70
Stock cars	493
Platform cars	443
Gondola cars	2,076
Bark cars	47
Lime cars	35
House cars	12,437
Refrigerator cars	331
Heater cars	299
Coke cars	48
Coal cars, four-wheeled	25,815
" eight-wheeled	9,097

Also the following cars assigned to special service in work-trains, &c.:—

Roadway department cars	1,230
Supply cars	50
Caboose cars	315
Tunnel cars	66
Wreck cars and tool cars	66
Water cars	7
Snow plows	10
Flangers	10

The length of lines embraced in the Lehigh Valley system, including second track branches, &c., was as follows, November 30th, 1892:—

	Miles.	Miles.
Main track	779.86	
Second track	514.00	
Branches and sidings	1,021.44	
		2,315.30

Add Schuylkill and Lehigh Valley Railroad as below:—

Main track	39.46	
Second track	5.16	
Branches and sidings	8.13	
		52.75
Total miles		2,368.05

The Williamsport and North Branch Railroad Company are extending their road from Nordmont to a connection with the State Line and Sullivan Railroad, thus forming a connection between Williamsport and all points upon our line.

The rapidly increasing business demands the double-tracking of our Mountain Cut-Off between Fairview and Pittston. This work is estimated to cost $225,000.

The operations of the Lehigh Valley Coal Company for the fiscal year ending November 30th, 1892, condensed from

the report of W. A. Lathrop, General Superintendent, compared with two preceding years, were as follows:—

	1892.	1891.	1890.
	Tons.	Tons.	Tons.
Amount of coal shipped from collieries owned and operated by the Company	1,454,262	1,385,463	1,464,509
Amount of coal shipped by tenants of the Company	3,096,271	3,247,632	2,499,562
	4,550,533	4,633,095	3,964,071

The capital stock of the Coal Company was not covered or in any way transferred by the lease of the railroad, the Company maintaining its own organization and the possession and operation of its property and mines. The product of its anthracite coal mines, amounting, as above stated, to 1,454,262 tons, was sold (except during the early months of the year) in cars at the mines to the Philadelphia and Reading Coal and Iron Company, dispensing with the necessity on the part of the Lehigh Valley Coal Company of maintaining expensive sales organizations, and releasing the capital heretofore required in the conduct of its sales departments and in coal on hand awaiting sale. The net income of the Coal Company is therefore applicable to the reduction of its indebtedness to the Lehigh Valley Railroad Company. The total amount advanced at different times by that Company to the Coal Company for lands, improvements, advanced royalties, &c., exceeds $15,500,000, which has been reduced from time to time by the operations of the Coal Company to about $11,500,000. This has been further provided for by five per cent. bonds secured by a mortgage, with sinking fund, on the property of the Coal Company in the counties of Lackawanna, Luzerne, Carbon, and Northumberland. These bonds mature in 1933, and both principal and interest are payable in gold.

As stated in the report for the year 1889, the city of Newark exercised its option to purchase the works constructed by the East Jersey Water Company for the supply of that city, rather than to pay yearly for water at the rate named in the contract, $39 per million gallons. The price fixed for such purchase was $6,000,000. The works were, as stated in the report for 1891, duly completed in advance of the date fixed for the first delivery of water, viz., May 1st, 1892; the water was turned on in the latter part of April, and the city has since that time been continuously furnished with all it required. The contract called for the payment to the water company of $4,000,000 in cash or city bonds on delivery of the works. Owing to the fact that the damages had not been adjusted in certain condemnation proceedings, they consented to the temporary retention by the city of $500,000 of this amount as security on this and other matters, and received $3,500,000 four per cent. bonds of the city of Newark on account. The balance of the purchase-money, viz., $2,000,000, is due September 29th, 1900, and is secured by the deposit of $2,000,000 of city bonds with a trust company, until which date the water company retains under the contract the right to divert and use for its own benefit so much of 27,500,000 gallons daily as the city may not during that time need for its own use, and all water available in excess of that amount, the city being restricted to a maximum taking of 27,500,000 gallons daily until the above date. The company has the right in the interval to dispose of this excess as it may see fit.

Mr. Ario Pardee, who had been continuously a Director of this Company since May 13th, 1868, died in Florida, March 26th last.

In recognition of his long and valuable service the Directors ordered the following to be entered upon their minutes:—

"Ario Pardee, a Director of this Company since May 13th, 1868, died at Rockledge, Florida, March 26th, 1892, in his eighty-second year. His very intimate knowledge of the territory tributary to our lines, and of practical anthracite coal

mining, of which he was a pioneer, made him a valuable counselor in the administration of the Company's affairs, in which he took a warm interest to the close of his long and active life. The Board directs this record to be made upon its minutes in testimony to the value of his services and the personal loss sustained by his associates, and that a copy of this minute, duly attested, be sent to the family of Mr. Pardee."

Mr. Rollin H. Wilbur was elected a Director of the Company to fill the vacancy thus created.

It is with sorrow that we record the loss to this Company of one of its most valued officers. Suddenly, in the early morning of last Christmas day, H. Stanley Goodwin, our General Eastern Superintendent, departed this life.

For twenty-six years he faithfully served this Company; how faithfully and loyally those of us know who have been longest associated with him. He was active in whatever advanced the welfare of the various institutions with which he was connected, and of the community in which he lived. He was conscientious and zealous in the performance of all duties resting upon him. He was an upright man and a good citizen.

By order of the Board of Directors.

E. P. WILBUR,
President.

COPY OF LEASE

FROM

THE LEHIGH VALLEY RAILROAD COMPANY

TO

THE PHILADELPHIA AND READING RAILROAD COMPANY.

This Indenture, Made this eleventh (11th) day of February, A. D. one thousand eight hundred and ninety-two (1892), between **The Lehigh Valley Railroad Company**, of the first part, and **The Philadelphia and Reading Railroad Company**, of the second part, **witnesseth:—**

Whereas, The railroads of the companies aforesaid, parties hereto, are connected with each other by means of intervening railroads, and the said companies, in pursuance of the provisions of the acts of Assembly in such case made and provided, and of every other power and authority them in that respect enabling, have agreed that the railroad of the said Lehigh Valley Railroad Company shall be leased to the Philadelphia and Reading Railroad Company, and shall be run, used, and operated by the last-named company upon the terms and conditions herein set forth.

Now this Indenture Witnesseth, That the party of the first part, for and in consideration of the premises and of the rents reserved, and of the covenants and agreements on the part and behalf of the party of the second part, to be by it kept and performed as hereinafter contained, and of the sum of one dollar to it in hand paid by the party of the second part, the receipt whereof is hereby acknowledged, doth hereby let and demise to the said party of the second part, its successors and assigns, the entire railroad of the party of the first part, from

its southern terminus at Easton, in Northampton County, Pennsylvania, to its northern terminus in Wilkesbarre, Luzerne County, Pennsylvania, as the same is now located and constructed, or as the same may be hereafter located and constructed during the term of this demise, in pursuance of any and every lawful authority now existing, or which may hereafter exist, and also all the railroads, branches, laterals, extensions, sidings, turnouts, tracks, bridges, viaducts, culverts, telegraph lines, posts and wires, rights of way, water rights and privileges, all the lands, machinery, fixtures, depots, railroad stations, telegraph stations, water stations, houses, buildings, structures, improvements, appurtenances, tenements, and hereditaments, of whatever kind or description, and wherever situate, now held or owned by the party of the first part, as belonging to and appurtenant to the said railroad as such or which heretofore have been or at any time hereafter, during the term of this demise, may be acquired by the party of the first part for some purpose incident to or connected with the maintenance, operation, construction, or extension of the aforesaid railroad or its appurtenances. Also all the engines (stationary and locomotive), cars, tenders, trucks, and all other rolling stock, tools, implements, machines, and personal property of every kind and description in use or intended or adapted for use in, upon, or about the said railroad or the business thereof, including all steamships, steamboats, tugs, floats, canal-boats, barges, and other vessels belonging to the party of the first part or to any of the hereinafter mentioned corporations owned, leased, or in any manner controlled by the party of the first part. Also all the rights, powers, franchises (other than the franchise of being a corporation), and privileges which may now or at any time hereafter, during the term hereby demised, be lawfully exercised or enjoyed in or about the use, management, maintenance, renewal, extension, alteration, or improvement of the demised premises, or any of them.

And the said party of the first part does hereby set over and assign to the party of the second part for and during the respective terms thereof all leases of railroads and other pub-

lic works situate in the State of Pennsylvania, New Jersey, and New York; also all trackage and operating agreements held by it or by any of the corporations owned, leased, or controlled by it, and does hereby authorize and empower the said party of the second part to enforce the terms and covenants of said agreements and leases as against the other parties thereto, and as against all other parties whatsoever in the same manner and to the same extent as the party hereto of the first part might or could do had not this assignment been made; and for this purpose the party of the second part may use the name of the party of the first part and of the aforesaid respective corporations owned, leased, or controlled by it in all courts and places and in all proceedings in that behalf; and the party of the second part hereby agrees to keep and perform all the obligations of the party of the first part and of the aforesaid respective corporations owned, leased, or controlled by it under said agreements and leases. A list or statement of the several leases and agreements above referred to is hereto annexed and made a part hereof.

There are expressly included in this lease the buildings of the party of the first part situated at 226, 228, and 230 South Third Street, Philadelphia, and the office buildings belonging to the party of the first part situated at South Bethlehem, Pennsylvania, it being understood and agreed that in order to provide accommodation for the transaction of the business of the party of the first part and of all the companies owned, leased, or controlled by it, the party of the second part shall and will provide and set apart in the city of Philadelphia and wherever else required by the said party of the first part, and in such localities as it may designate, such rooms or buildings as may in the judgment of said party of the first part be reasonably required for such purpose.

To Have and to Hold the said demised premises unto the party of the second part, its successors and assigns, for the full term of nine hundred and ninety-nine (999) years from and including the first day of December, 1891; it being understood and agreed that the term "demised premises," wherever

used herein, shall include all the railroads, public works, transportation lines, and appurtenances hereinabove let and demised, those which are transferred and delivered to the party of the second part under and by virtue of the foregoing assignment of agreements and leases, and those owned or controlled by the party of the first part by virtue of ownership of the whole or a majority of capital stock, or otherwise howsoever.

And in consideration of the premises, the parties hereto do hereby covenant and agree as follows, each party covenanting for itself, its successors and assigns, with the other, its successors and assigns.

First.—That the party of the second part shall and will pay, on the days hereinafter specified during the said term, to the party of the first part, as rent for the said demised premises, the following sums of money :—

(*a.*) Such sums as will be equal to and will enable the party of the first part to pay and discharge all interest moneys, dividends, rentals, guarantees, and all other charges which it is now obliged in any manner to pay upon its own preferred stock, its bonds, obligations, or floating debt, or upon the bonds, obligations, floating debt, or stocks of other companies, or otherwise howsoever, a schedule whereof, approximately correct, is hereunto attached and made a part hereof. Payment of the said various sums is to be made fifteen days prior to the dates at which the said charges respectively become due and payable by the party of the first part.

Provided, And it is hereby expressly understood and agreed, that if a reduction or an increase in the rate of interest upon any of the outstanding obligations of the party of the first part shall at any time hereafter be made, whether by extension of the time of payment of the principal thereof, by a funding of the said floating debt, or by exchange of existing bonds for bonds bearing a less or greater rate of interest, or otherwise howsoever, or if any reduction or increase shall be made in the rental of leased roads or in any other charges, payable by the party of the first part, then the sums payable by the party

of the second part as above mentioned shall be reduced or increased by an amount equal to the reduction or to the increase in the said interest, rentals or other charges.

And provided further, And it is hereby expressly understood and agreed, that if the party of the second part shall pay off and cancel, discharge, or satisfy any principal sum, the interest of which is payable as aforesaid as a part of the annual rental due by the party of the second part, for the said demised premises, the said annual rent, payable by the party of the second part, shall thereafter be reduced by a sum equal to that theretofore annually payable as interest on such principal sum, including therein all taxes which, by the terms of the obligation, were payable in relief of the holder; but if the party of the second part shall prefer to purchase, and shall purchase, the stocks, bonds, certificates of loan, mortgages, or other obligations by which such principal sum shall be evidenced or secured, or if unable to purchase shall pay off the same and then elect to succeed and be subrogated to all the rights and securities resulting therefrom or incident thereto before and at the time of said payment, the said party of the second part shall, as to the said stocks, bonds, certificates of loan, mortgages, or other obligations, stand in the same position as any other holder of a like security, and the interest thereon shall be retainable from the sums due by the party of the second part as above stated.

(*b.*) Upon each of the dates, March 31st and June 30th, 1892, the sum of five hundred and four thousand one hundred and eight-five dollars, the same being equal to one and one-quarter per cent. on the existing outstanding capital stock of the party of the first part.

(*c.*) Upon each of the dates, September 30th and December 31st, 1892, the sum of six hundred and five thousand and twenty-two dollars, the same being equal to one and one-half per cent. on the existing outstanding capital stock of the party of the first part.

(*d.*) Upon March 31st, 1893, and upon the last days of every June, September, December, and March thereafter, during the continuance of the term of this lease, a sum of seven

hundred and five thousand eight hundred and fifty-nine dollars, the same being equal to one and three-fourths per cent. on the existing outstanding capital stock of the party of the first part.

(*e.*) Upon the first day of January, 1894, and upon the first day of every January thereafter during the term, an additional sum equal to fifty per cent. of the surplus net earnings, as hereinafter defined, which shall have accrued to the party of the second part during the twelve months of the fiscal year ending the thirtieth day of November next preceding, and if the accounts of the party of the second part cannot be made up by January 1st, so as to determine such sum accurately, then the same shall be determined as closely as may be done, and any error shall be adjusted, with interest, as soon thereafter as the same can be ascertained: **Provided, however,** And it is hereby expressly understood, agreed, and covenanted, that the sum thus payable by the said party of the second part to the party of the first part, as and for its fifty per cent. of the surplus net earnings, shall not in any one year exceed a sum equal to three per cent. on the then existing outstanding capital stock of the party of the first part.

Provided, And it is hereby expressly understood and agreed, that if at any time hereafter the capital stock of the said party of the first part shall be increased, under any provisions of this lease (but not otherwise), the sums payable as hereinbefore stated in paragraphs (*b*), (*c*), (*d*), and (*e*), shall be increased by a sum equal to the amount of a dividend upon a like amount of the present existing capital stock of the party of the first party at the rates respectively above specified.

And provided further, And it is hereby further expressly understood, agreed, and covenanted, that the words "surplus net earnings" shall be held to signify the sum remaining of the total gross receipts, earnings, and income of said demised premises during each fiscal year ending November 30th, after deducting therefrom all such expenses of maintaining, operating, renewing, replacing, and repairing the said demised premises, as shall be necessary for the safe, proper, and economical operation of the same, all taxes as set forth in

article third hereof, all sums named in paragraphs (*a*) and (*d*) of article first hereof, and all sums payable by the party of the first part and not properly chargeable to capital account.

Second.—An adjustment of accounts shall be made between the parties hereto from the first day of December, 1891, to March 1st, 1892, and the balance found to be due from either party to the other shall be paid within ten days after ascertainment. All liabilities or charges, and all revenues after December 1st, 1891, except expenditures on capital account as hereinafter provided, shall be charged and credited respectively to the said party of the second part: **Provided, however**, That any interest, charge, tax, levy, or assessment, payable for any period beginning before the first day of December, 1891, shall be apportioned between the parties hereto so that the party of the second part shall be liable for or entitled to that portion only which shall have accrued after said first day of December, 1891.

All liabilities heretofore incurred by or on behalf of the said party of the first part, or by or on behalf of any of the companies leased, controlled, or operated by it, for or on account of which under existing contracts or agreements payments are now due or shall hereafter become due, which are or shall properly be the subject of charge to capital account, may be liquidated by the issue of either bonds or stock of the party of the first part, or of bonds of the companies primarily liable therefor, at the election of the party of the first part, with such guarantee by the party of the first part as shall already have been provided for. And the said party of the second part hereby agrees that the interest upon such bonds and the dividends upon such stock, at the rates hereinbefore provided, shall be added to and included as part of the rental payable hereunder.

Third.—That the party of the second part shall and will punctually and faithfully pay all taxes, charges, levies, imposts, claims, liens, and assessments of any and every kind, which, during the continuance of the term hereby demised,

shall, in pursuance of any lawful authority, be assessed or imposed on the demised premises, or any part thereof, or upon the business there carried on, or the receipts, gross or net, therefrom, or upon the capital stock or the franchises of the said party of the first part or of any of the corporations owned, leased, or in any manner controlled by the party of the first part, or upon the yearly payments herein agreed to be made to the party of the first part, or upon the dividends declared and paid by the party of the first part or by such owned, leased, or controlled corporations to its or their stockholders, for the payment or collection of which the said party of the first part, or said owned, leased, or controlled corporations would otherwise be liable or accountable under any lawful authority whatever; and also any taxes, charges, imposts, or levies, or assessments in respect to either the principal or interest of bonds or obligations of the party of the first part, or of such owned, leased, or controlled corporations, which, in pursuance of any lawful authority, the party of the first part or such owned, leased, or controlled corporations shall be required to pay without recourse to the parties to whom such interest is paid, whether such recourse shall not be allowed by the provisions of the statute, ordinance, or enactment imposing or authorizing such tax, charge, or assessment, or shall have been waived or released by any now existing or future agreement of the party of the first part in respect thereto.

And all other payments required to be made by the party of the first part or by such owned, leased, or controlled corporations during the term of this indenture, and not herein otherwise specifically provided for, and not properly chargeable to capital account, shall be assumed and discharged by the party of the second part, as if the party of the second part were primarily liable for the same. The party of the second part shall defend all actions of every kind that may be depending or that may hereafter be brought against the party of the first part or against any of the corporations owned, leased, or controlled by it during the said term, and shall pay all amounts that shall or may be recovered against it or them, or any or

either of them, and shall also indemnify and save harmless the party of the first part of and from all causes of action, legal and equitable, and claims and demands that have arisen, or shall or may arise against it, or which shall or may arise against the said party of the second part in the exercise of its powers under this lease and during the continuance thereof, and all payments so made by the party of the second part shall be charged as a part of its operating expenses hereunder in the computation of surplus net earnings. **Excepting, however,** out of the operation of this provision the liability as it shall hereafter be determined upon the hearing of the appeal of the Lehigh Valley Railroad Company, as alleged to exist in a certain pending action taken in the Court of Common Pleas of Dauphin County, and entitled The Commonwealth of Pennsylvania *vs.* The Lehigh Valley Railroad Company, No. 88, of June Term, 1889, and as to the amount, if any, which the Lehigh Valley Railroad Company may hereafter be called upon to pay by reason of the final determination of the said action, the said party of the first part may, in order to provide money to pay the amount, issue bonds or stocks, and when said bonds or stock shall have been issued the annual rental herein provided to be paid shall be increased annually by the amount of the interest upon the said bonds or by the amount of the dividend upon the said stock: **Provided,** That the party of the first part shall, from time to time, and at all times, give due notice to the party of the second part of any claim presented or suit brought against the said party of the first part, or against any corporation owned, leased, or in any manner controlled by it, by which the party of the second part may be involved in any liability whatever, and it shall be the duty of the party of the second part to make in the name and on behalf of the party of the first part, but at the cost and expense of the party of the second part, any legal or equitable defense that can be made to such claim or suit.

And the party of the second part shall and will assume and fulfill all obligations and liabilities to which the party of the first part or the companies owned, controlled, or operated by it may be subject under any and all existing contracts or

agreements between it, them, or any of them, and any other persons or corporations.

Fourth.—The party of the second part shall also pay to the party of the first part, commencing with the first day of July, 1892, the yearly sum of twenty-five thousand dollars, lawful money of the United States, in equal monthly payments of two thousand and eighty-three dollars and thirty-three cents on the twenty-fifth day of each month, for the purpose of defraying the expenses of maintaining the corporate organization of the party of the first part, and which said sum is to be appropriated to that purpose only. And up to said first day of July, 1892, the party of the second part shall be liable for and pay all such organization and office expenses from and after December 1st, 1891, as the party of the first part shall deem necessary for the closing up of its business, not exceeding, however, the present rate of expenditure on account thereof. All such payments made under this section shall be charged as a part of the operating expenses of the party of the second part in computing the surplus net earnings hereunder.

Provided, however, And it is hereby expressly understood and agreed, that if in any year or years the rental paid by the said party of the second part, which shall be applicable to dividends, shall be sufficient to pay an annual dividend upon the stock of the said party of the first part, exceeding seven per centum by twenty-five thousand dollars, no payment of the said sum of twenty-five thousand dollars shall be required to be made by the said party of the second part for such year or years.

Fifth.—That the party of the second part shall and will, during the continuance of the hereby demised term, keep and maintain the said demised premises in good order and repair; keep in public use, manage, and efficiently operate the same, and from time to time, and at all times, indemnify and save harmless the said party of the first part from all liabilities,

damages, claims, and suits by reason of anything done or omitted by the party of the second part in the premises; and, at the expiration or other determination of the hereby demised term, surrender the said demised premises in the same good order and condition as they now are. **It being understood and agreed, however,** That the party of the second part shall and will keep up and maintain during the term hereby created a line of insurance not less than the amount now in force upon the demised premises, or on any part or parts thereof, including the water-craft hereby as aforesaid demised, and that all policies of insurance now held by the party of the first part on any building or structure hereby demised or on the contents of such structure or upon freight received for transportation or in transit or upon water-craft shall be assigned to the party of the second part, and all sums received under any policies on buildings or structures thereunder shall, at the option of the party of the second part, be either appropriated to restoring or replacing the buildings or structures covered by such policies, or to the discharge, by purchase or payment, of any bond or obligation secured by any existing mortgage upon the demised premises, in which latter case the annual rental payable by the party of the second part to the party of the first part shall be decreased by an amount equal to the annual interest upon the said discharged bond or obligation.

Sixth.—That the party of the second part shall and will, during the continuance of the hereby demised term, provide and maintain, and from time to time cause to be provided, as the same may be required, adequate station and terminal facilities for the receipt, shipment, and handling of all traffic over the lines of the said party of the first part, and that it shall and will keep and maintain in use on the railroad and transportation lines hereby demised an adequate equipment of rolling stock, vessels, tugs, barges, floats, canal-boats, and other equipment and personal property adapted for railroad and water transportation, and at all times sufficient for the growth of the business of the lines of the party of the first

part, and of a character and type equal in all respects to that then in general use upon first-class rail, canal, and water lines, replacing from time to time all such as may be worn out, wrecked, or destroyed. All said equipment, including that supplied to take the place of any worn out, wrecked, or destroyed, shall be marked in the ordinary and customary way as the property of the party of the first part. An inventory of the said rolling stock, vessels, tugs, barges, floats, canal-boats, and other equipment adapted for railroad and water transportation, herein demised, shall be forthwith made, and the same shall be appraised at their fair market value by three appraisers, one to be selected by each of the parties hereto and the third by the two thus selected, and the said inventory and appraisement shall be attested by the signatures of the said appraisers, and be considered part of this agreement; and upon the expiration or sooner determination of the term of this lease, the party of the first part shall be put in possession of all the rolling stock, vessels, tugs, barges, floats, canal-boats, and other equipment and personal property then in use upon the said lines, and which shall be at least of the value, tonnage, capacity, and efficiency of that hereby leased to the party of the second part.

Seventh.—That the party of the second part shall not and will not divert or permit or cause to be diverted from the transportation lines or terminals comprising the system of the party of the first part, its present traffic or any traffic which would naturally go to or toward its destination by or over the said system or any part thereof; and covenants and agrees that the tonnage mileage of all classes of traffic over the rail and water lines of the party of the first part shall be fostered and increased (by affording proper facilities and the making of reasonable and proper charges for transportation, and otherwise) in such natural and proper future growth as shall be due to the location and resources of the system of the party of the first part. And the said party of the second part shall at all times and from time to time during the term, give and extend to the individual operators and miners of coal along the lines

of the party of the first part, all due facilities for the shipping and marketing of the coal mined by the said operators and miners over the Lehigh Valley system and its terminals, and the said party of the second part shall not do anything in discrimination against the said operators and miners.

The term "traffic" wherever used in this agreement is to be held as embracing passenger, freight, coal, mail, express, and all kinds of rail and water traffic.

Eighth.—That the party of the second part shall and will divide and apportion the rates on all traffic which shall pass over the lines of the said party of the first part, and over lines owned, leased, or controlled by the said party of the second part, between the several parties over whose lines the said traffic shall have passed, as follows: From the aggregate charge there shall first be deducted all arbitraries and terminal charges, and the balance shall be divided *pro rata* among the parties transporting the same, in the proportion of the actual mileage over which the traffic has been transported by each: **Provided, however,** That the arbitraries and terminal charges thus to be deducted shall be such reasonable and customary allowances as are or may be charged by other railroad companies at the same localities, and shall not, at localities similarly situated, exceed such reasonable allowances: **Provided, however,** That so far as the existing divisions are fairly consistent under all the circumstances with the foregoing basis for division of rates the same shall be maintained, provided that the division of the rates on anthracite coal shall be reconsidered: **And provided, further,** That where lines and terminal facilities belonging to the system of the party of the first part are used reasonable and customary allowances as aforesaid shall be made and reckoned hereunder as part of the gross receipts due the system of the party of the first part.

Ninth.—And the party of the second part shall, during the term hereby demised, furnish such officers and employés of

the party of the first part as shall be designated by the president thereof with annual passes or tickets entitling them to free passage in the passenger trains of the party of the second part.

Tenth.—Separate, true, full, and accurate books of account shall be kept by the party of the second part of all the operations and business done by the party of the second part under the terms of this indenture, which books of account and the data upon which the same are based shall at all times be open to the inspection and examination of the officers of the party of the first part, and of such other person or persons as the said party of the first part shall, from time to time, appoint to examine the same, with the right, privilege, and liberty at any and all times to make copies or extracts from the same for the information of the officers and directors of the party of the first part. And said party of the second part shall furnish to the party of the first part on the twenty-fifth day of each month during the continuance of this indenture a statement showing the operations and business done hereunder.

Eleventh.—That the party of the second part shall from time to time, and at all times, save harmless and indemnify the party of the first part from and against all loss or damage resulting from or occasioned by any failure or neglect of the party of the second part to comply with the covenants, stipulations, and conditions herein contained on the part of the party of the second part to be kept and performed, or from any failure of the party of the second part to do whatever it may lawfully be required to do in the use, management, and control of the demised premises.

Twelfth.—That the said party of the second part, its successors and assigns, keeping and performing the covenants herein contained on its and their part to be kept and performed, shall and may at all times, and from time to time,

peaceably and quietly have, hold, use, and enjoy the demised premises and every part and parcel thereof with the appurtenances, without any manner of let, suit, trouble, or hindrance from the party of the first part, its successors and assigns; and the said party of the first part shall and will at any time hereafter execute and deliver at the expense of the party of the second part such further assurances as may reasonably be required for fully effectuating the objects and purposes of this indenture, and the more fully securing unto the party of the second part all the estates, rights, and privileges hereinbefore mentioned and granted, or intended so to be.

Thirteenth.—That the party of the first part shall and will maintain its corporate existence and organization, and shall and will from time to time, and at all times, when requested by the party of the second part, its successors or assigns, put in force and exercise, or cause to be put in force and exercised, each and every corporate power, and do each and every corporate act, which the party of the first part or any corporation or corporations at the time controlled by it might now, or at any time hereafter, lawfully put in force and exercise, to enable the party of the second part, its successors or assigns, to enjoy and exercise every right, franchise, and privilege which may lawfully be enjoyed or exercised in respect to the use, maintenance, management, renewal, extension, alteration, or improvement of the said demised premises, or the business to be there carried on; the party of the second part agreeing to indemnify and save harmless the party of the first part against all expense, loss, damage, or liability resulting from or occasioned by any exercise of corporate powers, or performance of corporate acts, by the party of the first part, or by corporations owned, leased, or controlled by it, when exercised or performed at the request of the party of the second part.

Fourteenth.—That if the party of the second part shall during the term hereby created, with the consent of the party of the first part, which is not to be unreasonably withheld,

make any additions, extensions, betterments, or improvements to, of, or upon the said demised premises, or if the said party of the second part shall pay off any obligation of the party of the first part, which the party of the first part hereby consents may be done, then the said party of the first part shall upon the request of the party of the second part, and to the extent of the lawful power of the said party of the first part in the premises, raise such money by issue and sale of stock or bonds, or if the party of the first part shall so elect, issue to the said party of the second part, either an amount of bonds, bearing interest at a rate not exceeding six per centum per annum, or shares of the capital stock of the party of the first part equal at par to the cost of such additions, extensions, or improvements or the amount of such payments; it being understood and agreed, however, that in all cases of an issue of bonds or stock by the party of the first part for any purpose contemplated or mentioned in and by this agreement the party of the second part shall have the prior right, at its option, to purchase the same at the proposed selling price thereof.

Fifteenth.—That this lease shall not be sold, mortgaged, or assigned, and the demised premises, or any part thereof, shall not be sub-let, without the consent of the party of the first part given in writing under its corporate seal. And no purchaser at any judicial sale, nor assignee, receiver, nor mortgagee of the party of the second part, nor any assignee of the party of the second part appointed under proceedings in bankruptcy, or becoming so by virtue of any act or operation of law in any proceeding against it at law or in equity, shall have any title to or interest in the said premises hereby demised, or any part thereof, without the consent of the party of the first part given as aforesaid in writing under its corporate seal.

Sixteenth.—That if the party of the second part shall make default in the payment of the rent hereby reserved, or in any

of the payments herein covenanted to be made by it for a period of thirty days after the same shall have become due, or in case of any breach of covenant on the part of the party of the second part, and thirty days' notice thereof given by the party of the first part to the party of the second part if the same cannot or shall not be fully compensated within such period of thirty days, then it shall be lawful for the party of the first part, at its option, to declare this lease at an end and the agreements herein contained to be rescinded, and may thereupon re-enter and repossess the whole of the demised premises as of its first and former estate, and may resume, take, and enjoy all the rights, privileges, and franchises as if this agreement had not been made, and notice of the exercise of such option and of any intention to re-enter upon and repossess itself of said demised premises shall operate as a reassignment of the agreements and leases assigned in and by this lease, but the exercise of such option and such re-entry, repossession, and reassignment shall not relieve the party of the second part from liability to the party of the first part, its successors and assigns, for all arrears of rent due and unpaid at the time, and for all damages resulting from the breaches of covenant by the party of the second part; and the party of the second part hereby covenants and agrees that it will forthwith, after notice of the exercise of such option on the part of the party of the first part, deliver over to said party of the first part all the property and rights then held by said party of the second part under this lease, and will, on request, immediately execute and deliver to said party of the first part all agreements, deeds, and transfers that may be necessary or proper to reinvest said party of the first part with all said demised premises, and all said assignments, leases, and contracts as fully as they were held by the party of the first part at the time this lease was made, saving and excepting the personal property purchased and paid for by the party of the second part under this agreement, which shall in such case remain the property of the party of the second part.

Seventeenth.—It is understood and agreed, and is of the essence of this contract, that if a certain agreement of even date herewith, between the Lehigh Valley Coal Company and the Philadelphia and Reading Coal and Iron Company, shall be terminated for any reason whatsoever, then this lease shall, at the option of the party of the first part, be also at once terminated and ended, and such termination shall operate as a reassignment of all agreements and leases assigned in and by this lease.

Eighteenth.—It is further covenanted and agreed that in the event of the party of the first part resuming possession of the demised premises as hereinbefore provided, the party of the second part shall make good to the party of the first part any depreciation or deterioration in the then aggregate value of the demised premises as compared with their present value, saving to such extent as the depreciation shall not have resulted from any default of said party of the second part, and shall immediately deliver to the party of the first part personal property of the same character as and of equal value to that hereby transferred to the party of the second part, or, in default thereof, shall pay to the party of the first part a full equivalent therefor in cash.

Nineteenth.—The party of the first part hereby agrees to sell, assign, transfer, and set over unto the party of the second part all its railroad material and telegraph material, such as rails, iron, ties, timber, lumber, coal, and other fuel, oil, materials in repair shops, and in unfinished rolling stock, telegraph poles, wire, and all other articles generally known as railroad and telegraph supplies, which, on the day of the date of these presents, shall be stored or reserved for use or consumption, and shall not then be in actual use for railroad or telegraph purposes, or shall not have been issued for that purpose. The party of the second part agrees to pay for the personal property aforesaid a sum to be determined by three appraisers to be forthwith chosen, or by a majority of

them, one of whom shall be chosen by each of the parties hereto, and the two thus chosen shall choose a third. The said appraisement shall be made as soon as possible, and the party of the second part shall pay to the party of the first part the amount fixed by the said appraisers, as the said supplies are issued for use. The expense of said appraisement is to be equally borne by the parties hereto.

Twentieth.—The party of the second part shall and will during the continuance of the hereby demised term keep up and maintain the present car-shops, repair-shops, and works and plant of similar character, of every description, including all tools, machinery, fixtures, and appliances of any kind whatsoever therein and thereabout, in the condition the same now are, and for the better securing to the party of the first part the full performance of this covenant, an inventory of the said tools, machinery, fixtures, and appliances shall be forthwith made, together with all tools and appliances used on or about the said railroad and canal and water transportation lines, and the same shall be appraised at their fair market value by three appraisers, one to be selected by each of the parties hereto and the third by the two thus selected, and the said inventory and appraisement shall be attested by the signatures of the said appraisers and be considered part of this agreement; and that, upon the expiration or sooner determination of the term of this lease, the party of the first part shall be put in possession of personal property of similar character and of value equal to that herein leased to the party of the second part.

Twenty-first.—It is understood and agreed that all stocks of its controlled corporations, and all bonds and other securities owned by the Lehigh Valley Railroad Company, shall remain the property of the party of the first part; the party of the first part hereby expressly covenanting, upon the request of the party of the second part, to execute and deliver, from time to time, all such powers of attorney in relation to such stocks, bonds, and other securities as may be necessary to

enable the said party of the second part to collect the interest or dividends to accrue thereon during the term of this lease, such interest and dividends to be reckoned as part of the gross receipts, earnings, and income of the said demised premises, and to be taken into account in the determination of the surplus net earnings thereof.

The party of the first part shall not, without the consent of the party of the second part, sell and dispose of any of the aforesaid stocks, but this limitation shall not extend to the sale of bonds, or other securities: **Provided, however,** That in the event of a sale by the said party of the first part of any of said stocks, bonds, or securities, the proceeds thereof shall be appropriated by it to the payment or retirement by purchase or otherwise of any of the bonds or obligations of the said party of the first part, or of any corporation owned, leased, or controlled by it (which bonds shall thereupon be canceled), and thereafter the annual rental payable by the party of the second part to the party of the first part, shall be decreased by an amount equal to the annual interest payable upon the bond so canceled, or at the option of the party of the first part such surplus may be applied to the improvement of the demised premises or in the purchase of other property, real or personal.

Twenty-second.—That the said party of the first part may at any time hereafter, with the consent of the party of the second part, which shall be evidenced by its becoming a party to the conveyance, sell and convey the whole or any part of the real estate hereby demised, which shall, in the opinion of the said parties, be unnecessary for the purpose of carrying on business over the demised premises, provided that the proceeds of any such sale shall be applied first to the payment of any incumbrances upon the property so sold, for the payment of which the said party of the first part may be liable, and the surplus, if any, shall be applied, as provided in article twenty-first hereof as to the disposition of the proceeds of sale of stocks, bonds, or securities sold by the party of the first part.

In Witness Whereof, The said parties hereto have caused their respective corporate seals, duly attested, to be hereunto affixed, the day and year first above written.

Seal
L. V. R. R. Co.

LEHIGH VALLEY RAILROAD COMPANY,
By
E. P. WILBUR,
President.

Attest:
JNO. R. FANSHAWE,
Secretary.

Seal
& R. R. R. Co.

PHILADELPHIA AND READING RAILROAD COMPANY,
By
A. A. McLEOD,
President.

Attest:
W. R TAYLOR,
Secretary.

State of Pennsylvania, } ss.
County of Philadelphia, }

On the eleventh day of February, A. D. 1892, before me, the subscriber, a notary public, duly commissioned to take acknowledgments of deeds, &c., in and for the said Commonwealth, and residing in said city, personally came John R. Fanshawe, secretary of the within named corporation, the Lehigh Valley Railroad Company, who, being duly sworn according to law, deposes and says, that he was personally present at the execution of the above written indenture, and saw the common or corporate seal of the said Lehigh Valley Railroad Company duly affixed thereto, and that the seal so affixed thereto is the common or corporate seal of the said corporation, and that the above or within indenture was duly signed, sealed, and delivered by and as and for the act and deed of the said corporation, for the uses and purposes therein mentioned, and by order and authority of the board of directors of the said corporation; and that the names of E. P. Wilbur, president of said corporation, and of this deponent, subscribed to said deed, in attestation of the due execution and delivery thereof, are in the proper and respective handwritings of said E. P. Wilbur and of this deponent.

JNO. R. FANSHAWE.

Sworn and subscribed before me the day and year last above written. Witness my hand and notarial seal.

THOMAS L. J. HODGE,
Notary Public.

[Notarial Seal.]

State of Pennsylvania,
City and County of Philadelphia, } ss.

On the eleventh day of February, A. D. 1892, before me, the subscriber, a notary public, duly commissioned to take acknowledgments of deeds, &c., in and for the said Commonwealth, and residing in said city, personally came W. R. Taylor, secretary of the within named corporation, the Philadelphia and Reading Railroad Company, who, being duly sworn according to law, deposes and says that he was personally present at the execution of the above written indenture, and saw the common or corporate seal of the said Philadelphia and Reading Railroad Company duly affixed thereto, and that the seal so affixed thereto is the common or corporate seal of the said corporation, and that the above or within indenture was duly signed, sealed, and delivered by and as and for the act and deed of the said corporation, for the uses and purposes therein mentioned, and by order and authority of the board of directors of the said corporation; and that the names of A. A. McLeod, president of said corporation, and of this deponent, subscribed to said deed, in attestation of the due execution and delivery thereof, are in the proper and respective handwritings of said A. A. McLeod and of this deponent.

W. R. TAYLOR.

Sworn and subscribed before me the day and year last above written. Witness my hand and notarial seal.

C. K. KLINK,
Notary Public.

[Notarial Seal.]